ECONOMICS IN ACTION AUGUST 1953

A new and promising fiscal year began last month, but no one knows quite how it will end. All the usual economic indicators seem to be pointing in two directions at once:

Money supply is tight and sound--so tight that the Treasury may be forced to adopt inflationary policies for the next six months.

Industrial production and retail sales are still running ahead of expectations, but toppling stock market prices reflect uncertainty about the future.

Purchasing power of the individual dollar continues to increase as food prices decline--a boon to the consumer, but a drain on the hard-pressed farmer.

Taken in detail, these indicators show that we are in a period of transition, with the boom not over yet:

Money supply grows increasingly tricky. In an attempt to manage the currency, the Federal Reserve Board has made four major moves in the past six months:

To offset the tremendous increase in corporate and consumer debt, the Board raised the rate at which banks may borrow from the Federal Reserve System, thus increasing borrowing costs all along the line.

Credit then grew so tight that the Board had to permit banks to keep less cash on reserve, thus injecting about $6 billion into our money-short economy.

To release still more cash on the market, the Board bought up about $1 billion in short-term bills.

Faced with the greatest peacetime shortage of money in its history, the Treasury itself was forced last month to borrow $6 billion from private banks.

Behind all this is the pressure of a $271 billion national debt. Until that figure begins to shrink, all plans for sounder money will probably fall flat.

ECONOMICS IN ACTION

Industrial production and retail sales are more than holding the line. Production last month was almost 2½ times as great as the 1935-1939 average, while outlays for new plant and equipment climbed toward the all-time high of $28 billion a year...Still, there were several discouraging signs:

Housing starts fell below expectations--largely because of a shortage in mortgage money.

Auto production was held down by strikes.

Steel production slackened as hot weather took over.

Stock market prices have been hitting new 1953 lows, completely wiping out the profits of last winter's so-called "Eisenhower rally"...Retail sales, many believe, have reached the saturation point. In fact, stock market jitters may stem from fear of a buying slump rather than fear of post-Korean dislocation.

Purchasing power has continued to go up for most consumers--even more than the cost-of-living index shows. The reason is that housewives buy more of the foods that have cheapened the most. This year, for example, they are buying more of bargain beef, less of costly pork...Most of these food prices will keep on falling:

Vegetables are plentiful and cheap.

Egg prices will probably crack this September.

Even the price of breakfast coffee, an increasingly costly brew, has at last begun to level off.

The farmer, however, is on the spot as prices fall and costs go higher. Beef and butter difficulties are an old story, but wheat has recently become an equally tough problem...Spring wheat production this year was the largest in history--requiring emergency price-propping by the government. By fall, the Agriculture Department will have 600 million bushels of surplus food in its bins--and more on the way. (*Cont. on page 47*)

challenge
MAGAZINE

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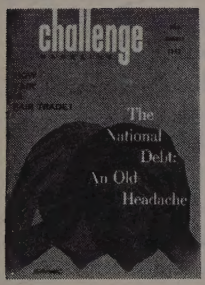

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a personal note

THE ANCIENT GREEKS had a word and an appropriate phrase for everything. The vast store of philosophy which they bequeathed us includes the simple saying, "Nothing in excess"—an expression of the Greek ideal of moderation in all things. And while the Greeks themselves did not always practice the moderation they preached, they were the better for it when they did.

An immoderate debate has been going on in this country between the extremists of the "free enterprise" camp and their counterparts in the "government planning" group. The one side would have us believe that Government is bound to bungle any economic project it initiates; that if Government is given *any* place in the operation of our economy, we shall all undoubtedly be led into stark poverty. The other side, devoted to the benevolent stewardship of Government, is irrevocably committed to propagate the idea that free enterprise is synonymous with economic chaos; that only government planning can produce economic benefits for the everlasting profit of all the people.

In this debate between extremists, the ideological choice is put to the public on an "either-or" basis. There seems little room to offer the moderate suggestion that free enterprise and Government both have a place in our economic processes; and that while a precise line cannot delineate where one ends and the other begins, a free society instinctively sets its own limits so that governmentism is not allowed to sap the dynamic strength of our enterprise system, and, conversely, individualism is not allowed to reach an illogical conclusion in anarchy.

THE AMERICAN ELECTORATE has steered itself a wiser course than some of the extreme winds on the political scene would allow. It has maintained a steady path, avoiding the extremes of both Right and Left. Thus, the extremists of the Left were completely rebuffed last November when an all-too-persistent trend of the past twenty years was reversed. Similarly, the extreme Right will also face a rebuff if the present direction goes too far. The American voting public, it would seem, is devoted to the cause of moderation. The Greeks would be proud of us.

If we should accept the thesis that there is an economic no man's land between private and public enterprise, is it possible, then, to draw a clearer definition of what the position of each should be?

The case for free enterprise, it seems to me, is clear and convincing. Under this system, we exercise the right to make our own economic way, through the power of our own initiative and ability, seeking the highest reward that we can get *in the open market.* All of the circumstances and conditions in which we work—and the values attached thereto—are *real*; they are not arbitrarily defined, limited, expanded or otherwise directed by the mechanism of a politically supreme Government. This is economic freedom within the framework of political freedom.

BUT FREEDOM IS NEVER ABSOLUTE. To paraphrase the famous words of Justice Holmes, even the freedom of speech does not allow a man to scream "Fire!" in a crowded theater when there is no fire. Similarly, free enterprise, as industrialist Clarence Randall cautions, is not a hunting license which declares open season on the public. What it boils down to is that free enterprise is a way of doing business, wherein we each try to do the best we can for ourselves within the bounds set by a free society on behalf of the general good.

That this system has paid off handsomely in this country to all parties concerned goes without question. It is a tribute to the social consciousness of private enterprise in America that its profit structure is founded upon volume production, mass distribution and lower unit cost. No system could do more for the people in the long run.

But how shall we define the role of public enterprise? Can it co-exist as a special function of government alongside our general system of private enterprise? In order to do this subject justice an entire discussion must be devoted to it next month. In the meantime, there are two thoughts that I should like to leave with you. First, it must be remembered that private enterprise will not venture into any activity that does not promise financial reward. This is a hard-headed but perfectly logical hesitation. It is the single most important reason why free enterprise functions so well and so efficiently. This leads us to the second consideration. What happens when, for reasons of national emergency, security, pride or interest, it becomes necessary to finance a venture which does not promise a direct financial reward? Who is to do it?—HB

State Fair

our annual harvest festival has its roots in economics as well as frivolity

by Henry Van Brunt

WHEN IT COMES TO a discussion of state and county fairs, we in Missouri are inclined to agree with the late D. L. Hartley, *Kansas City Star* columnist, who once wrote:

"The county fair — bless its throbbing calliope, its whirling Ferris wheel, its speeches by yearning Congressmen, its twitching of the corns, its dust in the nostrils, its sunburn on the neck and pinching of the nerves! If New Yorkers had Platte County hams and fried chicken, undoubtedly they would look better in the wirephotos."

Of local fairs, it may be said that if you see one, you've seen them all, as far as the traditional atmosphere and decor are concerned. This, to most devotees, is as it should be. The fair you see this fall will, except for the obvious innovations such as jet planes in the air, be almost the same one you saw forty years ago, if you are of my generation. It is unchanging as the hills— your state fair—and you would not have it otherwise.

And yet, in its origin, this regional exposition is not American at all, but ancient Greek. During the Middle Ages, the French and

English developed this idea into an institution which inspired the modern American state and county fair. For early Englishmen, a fair was always an occasion for fun and good will; and, in a day of quarrelsome factions, weapons were tossed into a pile before entering the fair precinct. This tradition was continued on the American frontier, when Westerners checked their six-guns before attending a dance.

THE EARLY English fairs featured carnival attractions to draw the throngs, but they were primarily — as are today's fairs — trade exhibitions, marked by regional pride in craftsmanship or husbandry.

As a result, these early English gatherings stimulated domestic and foreign trade; they developed the use of credit and commercial law governing such transactions; they inspired local artisans and farmers to improve their crafts and animals and crops; they encouraged women to improve their jams, jellies and pies. Brought to America by the first settlers, early American fairs followed the English pattern. They were abandoned during the Revolution, but revived later, essentially as agricultural shows and racing meets.

The benefit to American agriculture of state fairs has long been recognized in the financial support given them by local, state and national governments in the form of awards. In several cases within recent years in the Midwest, agricultural exhibitors have shown resentment when prizes at their county, district or state fairs were awarded to "foreign" exhibitors not in the fair's territory. This has resulted in adjustments of qualification rules, stressing regional residence.

In the United States, there are about 2000 state and county fairs scheduled for late summer and early fall this year.

In a very real sense, too, the fairs have brought the city to the country by revealing to the once isolated farm family labor-saving devices like vacuum cleaners and automatic dish-washers. At state fairs, many farm families had their first look at TV. Rural electrification projects have, of course, made possible the adoption of many methods and facilities for alleviating the proverbial drudgery of rural life.

Local fairs are primarily a carnival, but they are still a market place where ideas and products are compared and exchanged. It's a common practice, for example, for meat packing firms to compete

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with each other for the purchase of prize cattle. Flour mills are always on the lookout for a champion pie baker to endorse their product. Improvements in wheat production are of primary interest in Kansas fairs. An exhibit of a new wheat-testing machine is always a good attraction.

HISTORICALLY, county fairs are the nucleus of the state-wide fairs; now, they seem to be elimination trials for the larger fairs. This is particularly true of the Future Farmers of America exhibits and 4-H projects. Winners of various county fairs usually gather at the state fair for final judging. To many people, these two groups are the most inspiring and encouraging youth movements that our free economy has ever known. Several of these young people's organizations in Missouri are more than a century old.

Covering a wider area than the county fair, there is, in many states, the district fair, a product of certain areas in which county lines are less the determining factor than physical-geographical peculiarities and regional traditions and customs. The Ozark Empire Fair in Southern Missouri is a notable example of this type. It is held in Springfield, chief metropolis of the Ozark Empire —the mountain region of Southwestern Missouri and Arkansas. The area is famous for a virtual monopoly on the zither, the corncob pipe and the sorghum mill, and these you will see at the fair with all their refinements. There are also mine exhibits—the region is known for zinc production—and exhibits of white oak cooperage where you learn that the value of the primary wood industry of Missouri is estimated at upwards of $42 million. You can also square dance. It's a must for visitors, even for those who go only to see the horses run.

Throughout the Midwest, state fairs are coordinated in a federation entitled the Middle-West Fairs Association, which provides classification standards and guiding principles to the shows in nine states — Wisconsin, Minnesota, Missouri, Kansas, Arkansas, Oklahoma, Iowa, Texas and Nebraska.

IN MISSOURI, our outstanding event in the agricultural field is the annual state fair at Sedalia which usually runs for nine days in the middle of August. This year will be its fifty-first season since 1901. (There were two cancellations—in 1943 and 1944—because of wartime conditions.) The attendance in 1901 was 10,000; in recent years, attendance figures are around 400,000. The fair now has permanent grounds covering 276 acres, sixty permanent buildings and two race tracks. It is a

tax-supported institution, but largely pays its own way. Hometown economics will be evident this year as usual in the exhibits and booths displaying everything from pies, pickles and preserves to the latest improvements in sewing machines.

There will be elaborate homegrown vegetable exhibits in the Agricultural Building. There will be extensive 4-H Club exhibits from pigs to poultry. Girls will show off all kinds of handiwork: aprons, skirts, slips, school dresses, pillow cases, dresser scarfs, chair covers, lamp shades, belts, rugs, closet accessories. You'll be able to see yard plans and exhibits of lawn furniture, a vast canning and preserving division with prizes offered for the best muffins, cakes, rolls, bread. There are always egg shows, corn and tobacco showings and examples of grasses—timothy, orchard grass, red top and brome. There will be exhibits of photographs, etchings, wood carving, leather work, art metal work, textile painting and flower arrangements.

From these displays, an out-of-town visitor would immediately spot us as an area whose economy is founded on the farm and its products, although we do live in a greatly diversified section of the nation, with industry playing a major role in our life. Among the industries in our region are many "decentralized" plants from the congested East, and others whose products are either made from agricultural by-products or are motivated by farmer-demand. Livestock of all classifications—one of our leading "industries"—attracts the majority of authorities and experts among the visitors to our state fairs. Missouri ranks sixth among the states producing beef and dairy cattle.

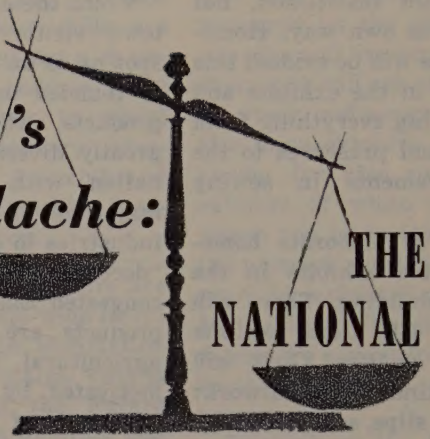
But generally, a visitor from another part of the country will find in our state fair the same homespun drama—compounded equally of hot dogs, cotton candy, pink lemonade and drum majorettes—that he will find in his own state. The state fair stands preeminent as the multiple harvest festival of America. ■

The Beaver Tax

HERE'S AN ITEM guaranteed to make every Englishman stop and think, particularly the ones who yearn for the pomp and the glory of the days of Elizabeth I.

Henry VIII imposed a tax on beards, graduated according to the wearer's social position. His daughter, the first Queen Elizabeth, put one on every beard of more than two weeks' growth. She also imposed a tax on all who stayed away from church.

America's Headache: THE NATIONAL DEBT



The debt we owe ourselves now amounts to about $4250 for every U. S. jobholder. Here's how it started, how it grew and how we're trying to meet it

ON A LEAF-BLOWN autumn day in Yorktown, Virginia, 172 years ago, 9000 Revolutionary troops put on a parade. British General Cornwallis had handed over his sword in surrender. Trim and aglitter in victory, the American soldiers drew cheers from the townspeople and brought a sharp flick of remembrance to the mind of young Colonel Alexander Hamilton at the sidelines.

Only the previous winter, as Washington has told us, "they had neither coats nor hats nor shoes."

The story behind the coats and hats and shoes is, as it has almost always been, the story of money and credit. It was one thing for our forefathers to form a government and declare themselves independent; it was something else for them to gather the means for the support and defense of that government.

The way they did so reveals the origin of one of our major economic problems of today—the national debt.

Powerless to tax the former colonies or their citizens for revenues to carry on the Revolution, the Continental Congress had turned to loans. It borrowed from individual Americans and Europeans, as well as from foreign governments, particularly from France. Apart from direct military and naval aid, our leaders of the day obtained credit from France

that was indispensable for the purchase of guns and ammunition.

When Hamilton took office in 1789 as our first Secretary of the Treasury, he insisted we pay off the Revolutionary debt to the last penny. This, he argued successfully, would put the new nation on a sound credit footing with lenders at home and abroad.

America thus opened shop committed to make good on $75 million to creditors and obliged to issue new securities to get hold of new funds to pay off old debts.

EXCEPT FOR one recent period in our history since that time, our national debt has grown for the same reason it began—war. The federal government has never been able to meet the expenses of war except by borrowing. And we have never stayed out of war long enough to pay back all creditors.

The national debt grew during the War of 1812 and during the War with Mexico. It again expanded from $60 million to $2.5 billion in the Civil War, and from slightly more than $1 billion to more than $24 billion in World War I. It doubled during the Depression, when the federal government expended huge sums of money in an attempt to revitalize our languishing economy.

But it was during World War II that the national debt reached a new plane. From slightly less than $51 billion in 1941, the debt swelled to about $258 billion by 1945—an increase of more than 400 percent! Today, with defense needs continuing, it hovers at about $268 billion. This amounts to more than three times as much as the federal government is expected to spend in the 1953-54 fiscal year. It comes to about $4,250 for every jobholder in the nation. We might each ask ourselves how much we would have left if the federal government sought to collect our shares of the debt.

HOW DOES managing this national debt differ from dealing with a private debt?

In every fiscal year two amounts become due on government securities—the first, for those securities which have matured in full and must be paid; the second, for the interest on those which continue in force (this is sometimes called the "cost" of the debt). Prior to the Thirties, the procedure was to meet both amounts as much as possible with money drawn from current taxation. In this way, between wars at least, the federal government was able to depend less and less upon new loans, thus reducing the debt somewhat each year instead of making new debts to pay off old ones.

Because of the extent to which the national debt has been growing

since the depression era, and particularly since 1940, the goal of meeting all payments with current revenues drops out of sight for the time being.

Today the government must continue taking out new loans to make up for what taxation does not provide. It must do so not only to meet payments on its securities, but also *to make up for its expected budgetary deficit in current expenses.* When we add these two obligations together, we find that in the fiscal year of 1953-54 the Treasury Department must issue new securities which amount to approximately the total federal budget for the same period.

The issuing of so great a volume of securities in one year raises a serious question, the most pressing problem of debt management today: how will the impact of these securities affect the value of the dollar, and the economic health of the country in general?

The answer depends on what kind of securities are issued, and when.

THE TREASURY issues two basic kinds of government securities: *short term* and *long term.* They attract different kinds of buyers and exert different effects upon the economy.

Short-term securities—variously known as "bills" and "notes" and "certificates"——pass by and large as liquid assets. This means they can be cashed in with little or no

HOW THE NATIONAL DEBT IS OWED

Kinds of Securities	Share of National Debt
Marketable Securities *(Treasury Bills, Certificates, Notes and other securities which can be bought and sold before they mature)*	**60%**
Non-marketable Securities *(mostly Savings and Defense Bonds which cannot change hands before they mature)*	**20%**
Special Issues *(securities held in trust by government agencies)*	**15%**
Convertible Bonds *(bonds that can be exchanged for other securities)*	**5%**

loss of value. They also assure the buyer of a quick return on his investment. Consequently, they find their way chiefly to commercial banks—the prime source of short-term business loans—and non-financial corporations. Many of these concerns like to invest temporary cash surpluses in short-term securities. Besides earning small returns, these can readily be converted into cash as needed.

Short-term securities, therefore, act to increase the nation's money supply. Their issuance has more or less an inflationary effect.

The long-term securities, such as defense bonds, attract mostly insurance companies, savings banks and individuals. Their purchase, in contrast to the buying of short-term securities, draws money out of circulation. They tend to exert a deflationary influence on the dollar. But there's a catch to this.

Unless the Treasury is careful about how it spaces the dates on which its long-term bonds mature for payment in full, it will find itself paying back large amounts of money at relatively frequent intervals. This can put an undue strain on the Treasury's resources. It can also rock the boat of the economy dangerously, because whenever more money is put into circulation, the value of the dollar drops and prices go up.

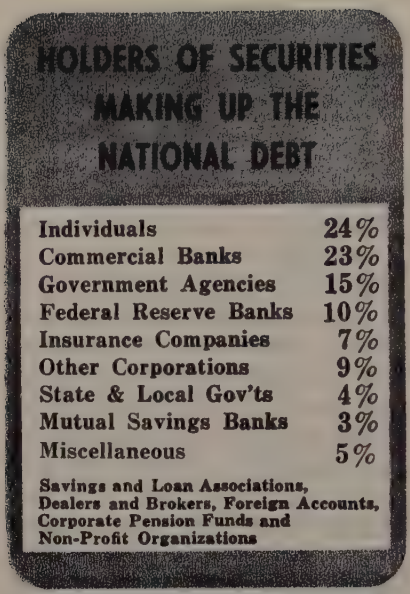
What has recent policy been? What may we look for next?

Due partly to its political philosophy, the Democratic Administration of post-war years upped the ratio of short-term securities issued. This "easy money" policy added to the amount of money in circulation and contributed to the lowering of the purchasing power of the dollar.

The Federal Reserve Board encouraged this. The twelve Federal Reserve Banks and their twenty-four branches throughout the country act as distributors for the Treasury in the sale of government securities. From 1937 on, these banks operated under an agreement to buy back certain kinds of these securities at their face value if ever their trading value slumped in the open market. With their face value guaranteed, sales of the inflationary short-term securities flourished. Two years ago, however, the Federal Reserve System withdrew this guarantee.

During the past two years, government securities have had to compete on equal terms with other securities in the open market. At times they have even sold below par, the amount at which they must be redeemed.

AT PRESENT, the Republican Administration is trying to win buyers for long-term securities bearing higher interest rates than previous government bonds. With


HOLDERS OF SECURITIES MAKING UP THE NATIONAL DEBT
Individuals 24%
Commercial Banks 23%
Government Agencies 15%
Federal Reserve Banks 10%
Insurance Companies 7%
Other Corporations 9%
State & Local Gov'ts 4%
Mutual Savings Banks 3%
Miscellaneous 5%
Savings and Loan Associations, Dealers and Brokers, Foreign Accounts, Corporate Pension Funds and Non-Profit Organizations

these securities it hopes, to quote Deputy Secretary of the Treasury W. Randolph Burgess, "to benefit the millions of families who have been damaged by inflation and by inadequate returns on their savings because of artificially low interest rates." The families to which he refers are those living on fixed incomes.

By selling government securities to such long-term buyers as savings banks and insurance companies and individuals, the Treasury aims to protect the value of the dollar for years ahead. It also brings to bear two further considerations.

In the first place, it would be politically unwise to issue short-term notes which would have to be repaid before next year's budget debate. With interest payments on the national debt alone accounting for more than eight percent of our annual budget, an increase in the amount needed to meet payments for maturing short-term securities would make a balanced budget and a tax cut—both Republican campaign pledges — almost impossible.

The more important reason appears to be a genuine conviction that we are not headed for a period of deflation or recession. Near-full employment and the relative stability of prices and wages support this conviction. It is felt that a hardening of the dollar will not slow down the economy to a dangerous point.

THOSE ON THE "cheap money" side of the fence look at things in a different light. They contend that by raising the interest rate on its securities, the government is favoring those who can afford to buy securities (or have invested in insurance, or have savings accounts) at the expense of taxpayers in general, who in the long run foot the bill for a higher rate of return. And they are not as cheerful about present conditions.

It is emphasized that for almost a year there have been indications of the business boom's leveling off. They cite the fact that the Depart-

ment of Labor's Index of Sensitive Commodities (a list of commodities with the most variable prices, such as foodstuffs, metals, fibers and oils) stood at 87.7 last April, compared with 97.4 a year previous. Farm prices, it's pointed out, show an even more drastic decline. The Administration's actions to harden the dollar and tighten up on the money supply, it is said, will lead to a let-down in the economy's pace.

The correct answer may lie somewhere in between. At the moment, we enjoy a "balanced" economy. The government's debt policy may do much to tip the scale either way.

LOOKING further ahead, is there any chance the government may someday have to default on its debt payments—go bankrupt?

At present the national debt has reached about 90 percent of the annual national income in size. Most economists agree there's little chance of the government's defaulting unless the debt doubles this proportion.

At or near such a point, two things would be likely to happen. In meeting payments on the debt, the Treasury probably would have to pour so much money into the economy that the value of the dollar would collapse. And in trying to issue new securities in the face of looming inflation, the Treasury probably would find too few buyers to finance continuing repayments.

The long road out of debt lies in the increase of production per man-hour and the end of deficit financing by the federal government. A rise in the national income resulting from greater productivity, coupled with wise fiscal management by government, will make it possible for revenues from taxation over the years to arrest the cycle wherein we incur new debts to pay off old ones.

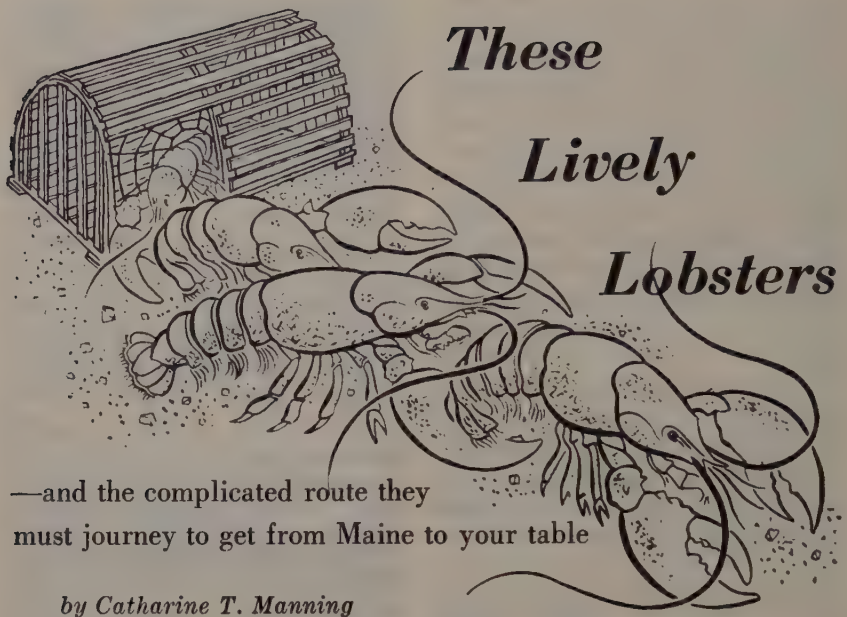
When this happens, the goal of paying the debt itself with current revenues will appear within reach again. ■

Economics vs. Emotion

HERE'S UNHAPPY NEWS for the marriage-minded females who think that placing a tax on single men is the way to inveigle most of the remaining older (over 35) bachelors in this country into matrimony:

Such a system would be more harmful than helpful to a community, according to Dr. Paul Popenoe, Director of the American Institute of Family Relations.

Dr. Popenoe bases his theory on the results of a survey conducted among 100 adults, mostly women. The prevailing opinion was that a man who has reached 35 unmarried is likely to be very poor husband material for a variety of reasons (extreme egocentricity, emotional maladjustment), none of them complimentary.



These Lively Lobsters

—and the complicated route they must journey to get from Maine to your table

by Catharine T. Manning

TRADITIONALLY, lobstermen are considered heavy gamblers. Their trade abounds with uncertainties like the weather, market demand and amount of their catch. Because they live on luck and fortitude, and since the paraphernalia of their trade is pleasantly picturesque, lobstermen often get a "whale-sized" share of attention from tourists and roving painters.

But, from an economic point of view, it isn't the lobsterman who is the adventurer, but the wholesaler. Lobstermen get cash. Wholesalers—middlemen in the route a lobster travels to get to your table—get credit. A wholesaler must have enough capital to see him through that long pause between the time he buys the lobsterman's catch and the time someone else buys the lobsters from him.

In order to assure his customers a continual supply the year 'round, the lobster wholesaler must buy heavily from fishermen during the open season and store his charges in a plant which will keep them in prime condition until they are ready for shipping.

This requires an expensive plant, because lobsters must be kept alive

until just a few minutes before they're finally cooked. It also requires an efficient organization that spreads from the port, where the lobstermen unload their catch, to the plant itself with its system of holding tanks and to outlets in big cities throughout the country.

But the whole intricate system pays off, because it assures a good supply of lobsters at the two times during the year when consumer demand is heaviest and natural supply is lightest. In the winter—when lobsters move out into deep water and hibernate and when harbors are hemmed in by ice so that boats can't get out—plants with steam heat and full holding-tanks are able to supply the market. And in summer—when lobsters are on the ocean floor, busily shedding their tight shells in order to grow several inches longer—the same plants have on hand a supply caught before moulting began.

ONE OF FIFTY such plants in North America is in the one owned by the Maine Coast Sea Food Corporation, located in a three-story white building in the tiny town of Rockport, on Penobscot Bay.

Maine Coast Sea Food Corporation has buyers stationed at unloading ports along the North Atlantic Coast. The buyers deal with lobstermen; in turn, buyers are paid a flat rate of several cents a pound over the price they paid.

As soon as they are bought by the company's agent, the lobsters are transferred to boat, train, or truck for the trip to the Rockport plant.

Promptly on arrival at the plant on Penobscot Bay, all animals are taken to the tank room on the ground floor. They are graded for size and put into separate tiers.

Each tier is divided into small compartments which are about a foot deep, and the lobsters crawl about the bottom. To remove them, long-handle nets are used, and the order-filling is done by rotation, the oldest occupants going out first.

Actually, these tanks are for seasoning lobsters. A running stream of cold sea water coming in from Rockport Harbor revitalizes the travel-weary lobster, giving him much-needed oxygen, a cool bath after his long trip, and a chance to digest the herring bait from the lobster pot, which was the cause of his undoing. Two electric pumps, one a standby, draw salt water out of Penobscot Bay. The intake end of the pumps is twenty feet below the Bay's surface, in order to maintain as even a temperature as possible all through the year.

Maine Coast Sea Food's plant can take care of 125,000 pounds of

Mrs. Manning has written science and nature articles for many magazines.

live lobster at a time. Biggest selling months are January, February and March, because demand is heaviest then from resort areas like Florida and California.

The plant keeps an open wire for incoming orders, and speed is essential. A phone call at two in the afternoon may have to be filled before the Railway Express Offices close the same day—and packing live sea food is a complicated process.

One entire floor of Maine Coast Sea Food's plant is taken over by the cooperage department, where four coopers do nothing but make barrels. They make them in two sizes — to nest barrel-in-a-barrel. Lobsters — restrained from committing a breach of the peace by a peg of wood in their foreclaws — are placed into a small wooden tub about the size of a nail keg, and seaweed is packed with them. This barrel is placed inside of a second barrel of greater circumference, tubbier and not as high as a barrel for packing china. Shaved ice goes around the inner barrel, like a blanket of insulating rock wool.

Topped off with a cake of ice, and wrapped securely in burlap, the barrels are ready to ship via Railway Express. This agency maintains an icing service every twenty-four hours en route.

DISTANCE is the greatest obstacle today in distribution of fresh lobster. Swiftness in travel is imperative. Even with icing and careful dry-pack methods so that animals do not come in contact with melting ice water, shipping is no easy prospect. There is another way of sending the animals under more natural conditions. By trucking them in special tank trucks which are equipped with filtered, refrigerated salt water, the lobsters arrive at an inland city with little mortality and almost no weight loss. Put in a refrigerated, filtered circulating salt water tank, they can be held for several days until customers buy out the stock. However, these inland tank trucks are an expensive proposition. Cost of the service is so high that a wholesaler's other fish sales must help carry it.

While the *Homarus americanus* meets little competition in his field because of his superior flavor, he is restricted in his market because of the difficulty of arriving at his destination in a live state. About 19 million pounds of lobster are caught in an average year in Maine alone, and about 22 million in Canada. Lobster meat is thought of as strictly a luxury item, mostly because of high transportation costs.

Better methods of distribution could enable more areas to enjoy the traditional broiled lobsters with a flavor that only the Maine animal is reputed to have. ■

accomplishment through salesmanship:

The Wonderful Window-Man

by Emily R. Willard

IT'S A PART of American folklore that every boy at least once in his life breaks a window while playing baseball. In its full-blown form the myth includes the presence of an irate housewife, scolding furiously about the broken glass and refusing to return the ball that has broken it. According to tradition, the small boy is obliged to replace the window by lawn-mowing and snow-shoveling—a shattering experience in more ways than one, but one that helps "make a man" of him.

Few boys, however, have grown up to do anything about this situation—except perhaps to act a little kindlier than they felt when their own windows were broken by a new generation of baseball-playing youngsters.

But for Frank Russell it was different. Back in Toledo in 1910, when an infuriated housewife threatened to have him "locked up" for breaking her window, he promised himself that he would do something about it one day. It took him almost forty years, but in 1951 the Russell Window Company, of which he is president, announced that it would replace *free of cost* all windows broken by youngsters playing baseball or football.

Russell has been true to his word. He has already replaced $26,000 worth of shattered windows in the past two years—and there's no sign that the half-million Rusco Rangers who are covered by this pledge will break fewer windows in the next two years. "This offer of mine is personal sentiment," Russell admits, "but actually it is good public relations." And from Russell's viewpoint, good public relations is inevitably good sales relations.

Winner of the Horatio Alger Award for achievement in business, Russell heads the world's largest window manufacturing company, an international concern with more than 4000 salesmen and an annual retail volume of $60 million. Attributing his own success

to his ability to sell, Russell has tried to develop future salesmen out of youthful ballplayers. As an adjunct to the Rusco Rangers, he recently organized the Junior-Salesmen-in-Training program which enables teen-agers to earn commissions while receiving free instruction in a future career.

Russell counts on the boys' future enthusiasm, for he knows that it isn't enough simply to manufacture the best product. The Rusco combination window contains screens, storm sash and weather-stripping, all in one permanent installation unit. Glass and screen panels are removed easily from the inside for cleaning; automatic locking makes the window virtually prowler-proof. But in spite of his product's advantage, Russell knows that he can capture today's competitive markets only by sheer strength of salesmanship.

KEYNOTE OF Russell's current promotion campaign is the 10 millionth combination window. With all the hoop-de-lah at his command, he has pushed the 10 millionth window theme through ads, streamers, and television announcements through his local distributors the country over.

As for the 10 millionth window itself, Russell has placed it with appropriate reverence—and publicity—in the National Baseball Hall of Fame at Cooperstown, N. Y.

Anything is grist to Russell's humanizing publicity touch. When Rusco held a Special Exposition in Philadelphia in April, he caused "Mrs. Philadelphia" to have her title officially suspended by a Philadelphia City Court Judge for twenty-four hours so that she could appear as "Miss Rusco, 1953"—another neat Russell twist.

Russell hasn't played up his windows for home use alone. A former hotel manager himself, he has developed his windows for commercial use in hospitals, hotels and public buildings. Boasting the slogan "New Windows for Old," Russell has been able to change a 1300-window hotel from old-style to modern, streamlined windows in record time.

Another publicity method—and one of mutual benefit to the company and its clients—is a "use the user" promotion which pays cash premiums for the names of prospects who will buy Rusco windows and doors.

One thing that Russell has learned from his baseball experiences is that the best team is the all-around team. By his combination of advertising, selling and publicity, Russell has managed to push his product—and it's a good one—to the top of its league. ■

Miss Willard is a free-lance writer, specializing in human interest stories.

Drive-in theatres are adding golf courses, badminton, playgrounds— and grossing $234 million annually

by Robert M. Hyatt

BACK IN 1932, a chemical manufacturer of Camden, New Jersey, got an idea. It was to grow into one of the most phenomenal industries in America.

Richard Hollingshead and several of his associates took a year to develop the idea; then, in 1933, they opened in Camden the world's first drive-in theater. It had a 400-car capacity and little else. But it was the first revolutionary change in motion picture theaters in thirty years— and it caught on.

During the Thirties, drive-ins sprang up in several areas over the nation, but the real boom in "ozoners" got underway right after the end of World War II. In 1941, there were less than 100 open-air movies in this country; none, of course, was built during the war; but in 1947, there were 400. The following year, the number doubled. Today, there are some 2300 in the continental United States, 43 in Canada, and several in Hawaii.

While a large number of these drive-ins are closed during the cold months—except in the Southwest, where they are open the year around—just about all of them make money. Annual profits can run anywhere from 20 to 50 percent of the original investment. The industry as a whole grosses about $234 million annually, representing more than 300 million paid admissions.

A regular contributor to CHALLENGE MAGAZINE, *Mr. Hyatt, who lives in Albuquerque, N. M., writes that he spends much of his spare time at outdoor movies.*

Usually, the admission charge at a drive-in is about half what you pay at your local movie. There is no walking from a parking lot or fighting traffic in city streets. You don't have to get out of your car from the time you leave home until you return. This enables thousands of shut-ins and wheelchair patients to enjoy outdoor movies frequently.

NEARLY ALL drive-ins operate snack bars and allow sufficient intermission time so that patrons may have a hot dog, coffee or cold drink. Revenue from food and drink, to say nothing of candy and popcorn, often supplies 30 to 40 percent of the evening's "take."

Drive-ins, as is the case in all new industries, have inspired the development and manufacture of scores of new devices. Some of these are high-powered projectors, special outdoor screens and outdoor portable loudspeakers which are hung in each car during the show. Individual car heaters and car coolers have appeared in some of the swank drive-ins. The vending machine business has benefited considerably: some firms offer portable snack bars which attendants push around among the parked cars.

Like every other new thing that captures the interest of the American public, drive-ins have undergone various face-liftings since they first captured the public fancy. Some of the more pretentious innovations include the addition of miniature golf courses, badminton, and fully equipped playgrounds for the tots, complete with nurse in attendance. There are even self-service laundries where patrons bring their soiled linen—and pick it up clean when they are ready to go home.

Until recently, the drive-ins had one big strike against them. They were seldom able to obtain first-run pictures, because film distributors gave their old customers, the conventional movie houses, first choice. A recent court action has changed all that. More and more drive-ins have a policy of showing at least one first-run film along with an oldie, although the cost of first-run films is several times that of the old-timers.

SOON AFTER the initial 1933 experiment in Camden, Los Angeles built a drive-in on Pico Boulevard. It's still going strong, together with nearly 100 other open-air theaters in California. The South and Midwest lead in number of drive-ins. Texas is tops with more more than 200. Ohio is next with about 150, while North Carolina is third and California fourth.

The drive-in movie fad will soon penetrate England, Europe and Asia, where a Tennessee theater magnate is planning a vast chain.

Most drive-ins park from 250 to 1250 cars, and cost anywhere from $50,000 to $350,000. For the construction of a 1000-car drive-in theater, the cost breakdown runs something like this: grading with rows of ramps, $40,000; electrical wiring, $35,000; microphones, projectors, screen, $35,000; and construction, $120,000. This totals up to about $230,000. The cost of a conventional theater— which will seat perhaps half the number of persons — could easily run twice this figure.

Grading and drainage are the two most important items in building a drive-in. A customer can sit through a fairly heavy downpour and still see the picture with good clarity, but he doesn't want to be bogged down in mud when he starts home. Drive-in regulars in colder climates don't even mind a light snow while watching a picture. The only thing that really stops the show is a heavy fog.

The attendance-getters that are fairly common among conventional theater operators—bank night and bingo—are being used in a large number of drive-ins. "Giveaways aren't a way to run theaters," says the operator of a large Pacific Coast chain of drive-ins. "But the regulars are doing it, so we have to keep in step." This chain believes in meeting competition; recently, they gave away a new car every week for sixteen weeks.

To lure fans through the turnstiles, the drive-in operators are willing to try anything. One chain, for instance, holds auctions before show time and invites patrons to bring in anything they want sold. Another has a charge-account system open to anyone with means of identification at the gate. Several chains offer free parcel-weighing for Christmas packages; the service is handled by postal employees. You simply drive in, hand your packages over and have them weighed and stamped—after you've paid your admission, of course!

Scattered across the country are several unique drive-ins. One, on a large chain of famous lakes in Wisconsin, caters to boat traffic. The whole parking area is a lake. Another parks only small planes and is for "flying customers" only. There are at least two four-screen drive-ins in operation, one in Chicago and one in Los Angeles. These theaters have four screens in a square, parking cars on four sides.

Some plans for future drive-ins are surprising. They will feature daylight movies, barber service, shopping centers and free picnic grounds. Science is about ready to release daylight projectors and screens, which will enable drive-ins to compete with conventional houses in that respect. Outdoor movie fans can look forward to afternoon matinees. ■

Now everybod

because swimm
pools have con
off the estate
into the backy

top: Bakelite Company photo
below: B. F. Goodrich Company

t in the Swim

YOU CAN ADD SWIMMING POOLS to the long list of luxury items which have been brought within the financial reach of millions of people through mass production. Not only that, it's now possible to walk into a department store—of all places—and buy a standard-size swimming pool. The whole thing comes in a tidy package, three feet high, three feet wide and three feet long.

Gone for good are the days when a swimming pool was strictly for the top income brackets, as the pictures on these two pages prove. The standard-size pool—which can accommodate about fifteen people—measures twenty-seven feet in length, is thirteen feet wide, with a graduated depth of from three to five feet. It retails for about $275. The kiddie pool comes in three sizes from four to seven feet in diameter, and retails for $10 to $20.

Made of Vinylite plastic sheeting, the adults' pool consists of a liner that fits tightly into an excavation below ground level. Fastened to the top of the pool is an inflatable bumper (optional), to prevent excessive spilling. Once in place, this swimming pool becomes a permanent installation. Added feature: there's a booklet which comes with the the pool kit, which gives you directions for excavation, installation and drainage. You can do it yourself and save the handyman's fees.■

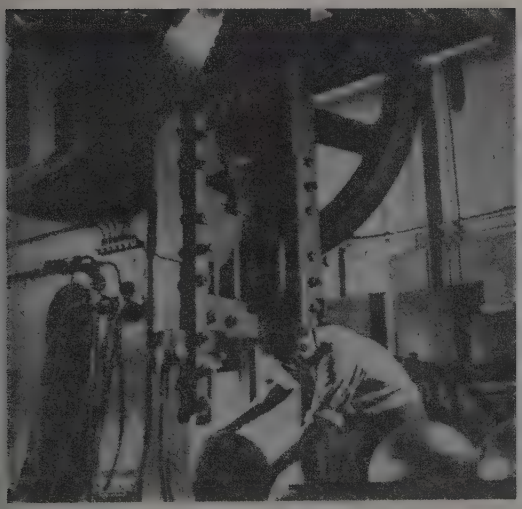
—Three Lions Photos

A WORLD A MINUTE

AS POLITICAL EVENTS of the world become progressively more of a piece, and air-speed knits Rome and the Yangtze Valley ever closer to Wichita, we're thinking more of our planet as the one round mass it is. And where once they dozed on their pedestals as mere symbols, globes today spin under eyes and fingers eager to measure and comprehend. To meet the rising demand, globe-makers like the Replogle Company of Chicago are combining old crafts with modern methods of mass output.

A CARTOGRAPHER applies final touches to a new globe map. Having collected data for months, he prepares the boundaries, names and figures in 12 segments or gores for the printer to copy. . . .

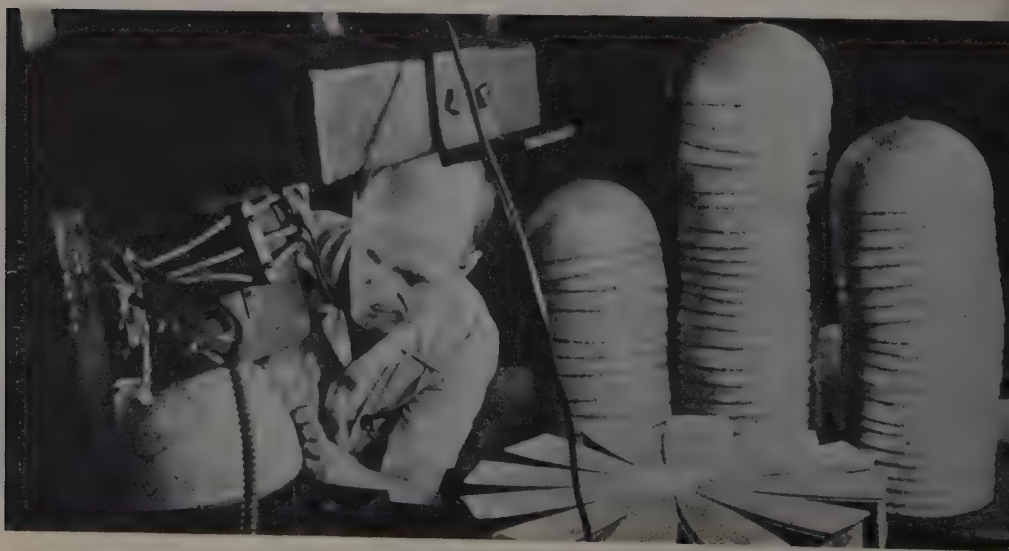
Below, a worker forms steel hemispheres with a 50-ton hydraulic press. Another adds waterproof cement before clamping them together. Begun in 1931 by Luther I. Replogle, president and principal owner, the company employs 125 men and women and turns out up to 1500 globes a day. These range in diameter from 6 to 32 inches ("The Diplomat," $895 with mahogany cradle) and include many novel varieties. . . .



TWO YEARS of training go into the work of pasting gores into place with all lines and names connected. This skilled lady covers 8 to 12 large globes a day. . . .

The library globe at left takes on protective lacquer. An exhaust hood sucks away fumes. Beyond such standard types the company has reached for broader home-sales with lit-up globes and a line of play models for children. Among them: a "Globe Race" with magnetized airplanes, and an "interplanetary" sphere which gives future space navigators some conception of the solar system. . . .

Split-orange shapes, printed and die-cut from rugged chipboard, lend themselves to mass-production (below). Heat, pressure and paste mold them into hemispheres. Equatorial bands link them into cheap but durable miniatures of the earth. . . .



GRINDING SEAMS smooth allows gores a snug fit over hemispheres. Launched on a grand scale with a 10-foot diameter effort by a Greek named Crates in 150 B.C., globe-making progressed slowly with little early practical effect. A monk named Coronelli erected two 15-foot diameter globes for King Louis XIV of France, each of which could hold 30 courtiers at a time inside. The art got under way in America in 1810, with farmer James Wilson of Vermont, who besides designing his own maps, made his own ink, glue, varnish, tools and presses, cast his own meridians and did his own printing. At left, a Replogle veteran turns a practiced hand to cutting out printed gores in a manner centuries old. . . .

HUNG UP to dry, fresh globes head for final assembly. Below, a desk-bound model eases into position on its 23½-degree axis, ready to take its place in the sun. Watching world relationships multiply, Replogle officials plan new types and uses of globes with confidence in the future of their business. Although they trace the current surge of interest back to the attack on Pearl Harbor in 1941 and the continuation of discord in the world, they look forward to permanently growing peacetime sales.

fourteen Southern states take bold measures to expand their college facilities

A Co-op Plan for Colleges

by Redding S. Sugg, Jr.

MORE AND MORE high school graduates are knocking on college registrars' doors the country over. But, because of high operating expenses and dwindling private contributions, most institutions of higher learning are wondering how to expand their facilities in order to accommodate the added financial burden represented by this rising influx.

This nation-wide problem has prompted some unusual steps on the part of many educators, administrative officials and businessmen. Among these steps is a program adopted by a Southern regional body which shows every likelihood of success.

About five years ago, Southern governors were swamped by insistent demands for all kinds of education, particularly in medical, dental and veterinary studies. What were they going to do about it? Without much fanfare they took the problem by its academic horns and came up with a program that has exciting economic as well as educational possibilities —so much so that some New England and Western states may soon adopt it.

The key to solving educational institutions' financial difficulties, as the governors saw it, was to take previously neglected opportunities to create a two-way street between our expanding economy and ailing academic establishments. To accomplish this, they created the Southern Regional Education Board. Sitting on this board are the governors and three appointees from each participating state. One of these appointees must be an educator, and in most cases, another one of them is a Negro leader.

A "compact" was signed by the governors, circulated and approved in short order by the legislatures

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Mr. Sugg, as staff associate of the Southern Regional Education Board, is in a good position to evaluate the new educational venture described in his article written for CHALLENGE MAGAZINE.

of fourteen states from Maryland to Texas. The whole plan rests on two ideas: a voluntary pooling of professional and technical educational facilities on a region-wide scale, and immediate and long-range planning to provide the training ground for talent and skills necessary to the economic development of the entire region.

LET'S SEE HOW the program actually works. A state lacking educational facilities in a certain subject contacts the Southern Regional Education Board. The Board then finds an institution in another state which has the required facilities and by arrangement will waive customary out-of-state fees, requiring only that its admission standards be met. Then, the state that sends the students pays the receiving institution the necessary tuition.

This contractual training service has already met its objective, for the cost, the states that are regional students is being graduated this year. Two hundred students at thirteen institutions are getting degrees in medicine, dentistry and veterinary work. A few graduate degrees in social work are being awarded. All told, more than a thousand regional students are attending nineteen institutions in eleven states. Of social significance is the fact that about a third of the students are Negroes. As for the first four-year class of party to the "compact" will pay this year almost $1.5 million to educate these students.

How has all this benefited the educational institutions? Well, during the first four years of the programs, the institutions that received payments from the home states of regional students garnered about $3,800,000—sixty-five percent of which went to private universities. This extra support, according to a survey last year, has enabled these institutions to strengthen themselves financially. Fifteen have been aided in retaining or adding faculty members and improving salaries. Twelve have been aided in improving equipment. Seven have been helped to increase or to maintain student capacity, and five to broaden their programs of study.

EACH NEW example highlights the success of the new education venture. In one case, a number of Kentucky groups were clamoring for a school of veterinary medicine. They had even pledged half a million dollars toward this project. However, the state made arrangements for eager Kentuckians to attend schools of veterinary medicine at the Alabama Polytechnic Institute and at Tuskegee Institute. This not only relieved the pressure for veterinary training in Kentucky, but did away with a

CORPORATIONS have not only a "right" but a "solemn duty" to give money to colleges and universities.

This was the substance of a far-reaching decision recently handed down by the Superior Court of New Jersey in a suit brought by a group of stockholders against a corporate gift to Princeton University. Failing to realize that the universities are a vital source of business profits, the stockholders had alleged that company funds could be used only to create profits for the owners themselves.

But as the Court wisely pointed out, no segment of American institutional life has a greater incentive to provide funds for our financially hard-pressed universities than the business community itself. For, without universities, there would be neither the trained leadership nor the technological developments that make for economic advance.

costly project. Eventually, the University of Kentucky asked for and received the pledged money, which was used to develop its department of animal pathology. It now looks as if this department will become one of the best in the South.

When you multiply situations of this kind, it becomes obvious that much can be done in reducing unnecessary duplication of facilities and in strengthening existing educational institutions. Having institutions concentrate their resources on specialties which complement those of sister establishments is a step toward giving the total regional education program the highest quality. Arrangements are also being made for the transfer of students, removal of barriers such as out-of-state fees, and the common use of certain personnel and research facilities.

By coming together on a regional basis to assess their own capacities and interests, the universities move into a better position to contribute to the economic development of the region. The argument is often heard that a university's integrity is endangered by direct relations with industry or government, especially when the university accepts funds from such sources. Currently, for instance, there is great concern over the pressure toward applied research in scientific, business and governmental projects, as opposed to basic research in the academic arts and sciences.

Yet everyone knows that the needs of government and industry do affect, quite naturally, both research and instruction at universities anyway. In the regional education programs, representatives of government and industry are customarily called in as advisers. By this means the universities, which retain the direction of regional programs, can relate their activities intelligently to the social and economic needs of the South.

THE MOST OBVIOUS economic effect of the new educational pro-

gram is the cheapness with which the states get professional education for their citizens. The capital outlay that would be required to build medical, dental, veterinary and social work schools in each state of the region that lacks them would amount to something like $64 million. Additional annual operating expenses needed for such an array of schools would be about $9 million.

These figures, based on current costs at existing schools, are no more than rough estimates; but they indicate the value of the services which the states are buying for about $1.5 million in 1952-53. They scarcely hint at another benefit—the time states gain for planning. Because they can buy regional education services, they do not have to rush into major undertakings and can often choose to concentrate on related areas while relying on the regional setup to carry the ball.

It is important to realize that the states are not simply saving a lot of money. Miserliness would mean that they are not doing an adequate job. The money is not so much saved as released for programs that immeasurably aid the states, colleges, industry and government.

This conclusion is not hypothetical, but already has been proved. The most conspicuous planning has been in the region's resource-use problems. Active programs have been set up in forestry, pulp and paper, marine sciences, petroleum sciences and city planning. Nearly forty colleges and universities are participating—in one way or another — in these ventures, and as a result of this cooperation the entire academic field throughout the region is becoming flexible and strong.

Schools that point their efforts —similar to the resource-use concern—toward meeting the needs of the region, of industry and of government are making a deserved case for financial support and are receiving successful response. Yet, every safeguard is taken to protect the individual integrity of the institutions.

How is the concern for resource-use translated into action? Here is one way. Last year, at a meeting in Atlanta, twenty-one agencies concerned with research and instruction in marine sciences hammered out the basis for a regional program. According to the report of this meeting, "production of life means production of potential food; but the record—indicating that we take less than one percent of our food from the sea—clearly shows we have not as yet learned to use this resource."

Further, the group assessed the economic importance of the sea and the significance of a long

coastline to the South. It analyzed the marine research activities and potentialities of the region. A committee then worked out a list of research musts. Finally, the group drafted a Memorandum of Agreement by which cooperative planning and research was to be adopted. A host of institutions joined the plan: Texas A. & M., the College of William and Mary, Florida State University, Duke University, Johns Hopkins University, Louisiana State University and the Universities of Florida, Miami, Texas.

Prompt recognition of this significant effort came from Governor Theodore R. McKeldin of Maryland who noted that the Southern coastal states "owe it to themselves to develop and protect their great marine industries." He added, "'I see no better way to do it than in the training of adequate numbers of marine experts at the state level and the conducting of constructive and effective marine research. This Regional Education Compact is our great opportunity."

Dr. John E. Ivey Jr., Director of the SREB, further summarizes the situation by pointing out that here is a "totally new field in the mechanics of strengthening the regional educational facilities by focusing the joint efforts of colleges, Government and industry on the scientific and educational job that is needed for the whole region."

Indeed, the rest of the country can show nothing like this cooperative venture in higher education. ■

Where Does the Time Go?

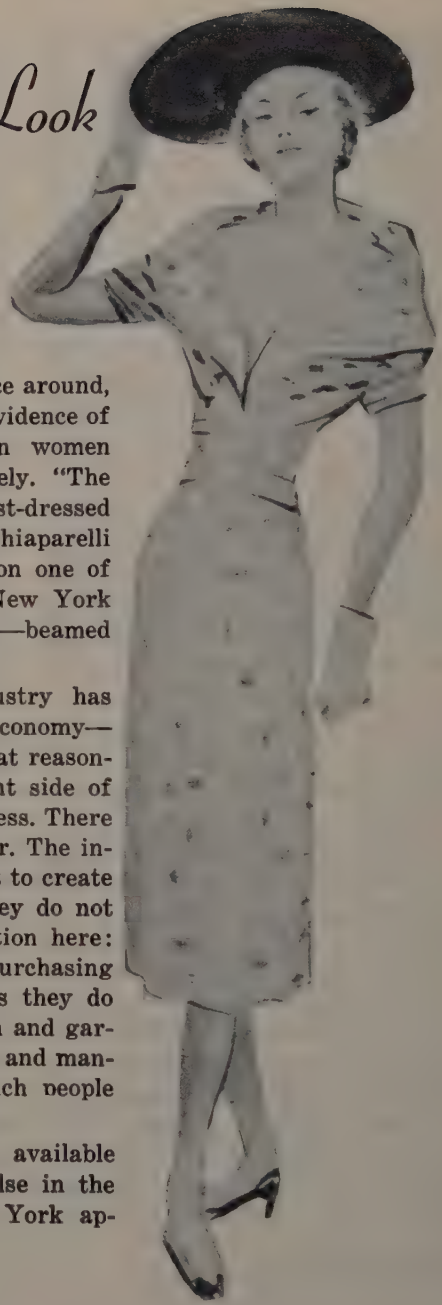
A PSYCHOLOGY CLASS at the University of Wisconsin has it all figured out. They estimate that the average man of 70 years has spent

- 20 years working
- 20 years sleeping
- 7 years taking in movies and other amusements
- 7 years in walking and outdoor sports
- 5 years shaving and dressing
- 3 years waiting for someone to arrive
- 2½ years eating
- 2½ years smoking and chewing gum
- 2 years playing cards and other games
- 1 year on the telephone

—*Executive Digest*

That New York Look

buttons and bows are New York's biggest business—and the seventh largest in the country



ALL YOU NEED DO is to glance around, and you'll find pleasant evidence of the fact that American women dress very well, very inexpensively. "The American stenographer is the best-dressed woman in the world," Madame Schiaparelli said in a now famous interview on one of her New York visits; and the New York Dress Institute—the cause of it all—beamed proudly.

America's young fashion industry has had a dynamic impact upon our economy—lots of good clothes are available at reasonable prices. This is the benevolent side of the economics of the fashion business. There is another, shrewder side, however. The industry's chief concern, after all, is to create in women a desire for clothes they do not need. There is a twofold implication here: first, that Americans have the purchasing power to spend money on clothes they do not need; second, that the fashion and garment industries are able to create and manufacture clothing at a price which people can afford to pay.

More and better clothes are available in this country than anywhere else in the world, mostly because the New York ap-

parel market makes possible the quick processing operation which duplicates hundreds of thousands of "quality" units each season. This operation has no counterpart in any other apparel center on earth.

NEW YORK is the heart of the American fashion industry, and fashion—in one form or another—is the city's biggest business. In dollar volume, this adds up to make the seventh largest industry in the country. About 80,000 members of the International Ladies' Garment Workers' Union are employed in producing women's dresses, coats and suits. More than half a million people work in department stores, publishing, hairdressing, cosmetics, and advertising — all closely allied to the garment industry.

The garments which set the style for the rest of the country are made, promoted and sold in New York. There are, of course, other apparel centers throughout the United States—St. Louis, Kansas City, Chicago, Dallas, Miami, Los Angeles, San Francisco, Portland—but they don't have the volume or prestige of New York. These garment manufacturing areas grew up to fill a regional need, in which they tend to specialize. For instance, Los Angeles is noted for swimsuits; Portland, for ski togs; Dallas, for sportswear.

Just about everything necessary for a fashion capital is in New York. Manhattan Island is the hub of a densely populated area—about one-third of the people in this country live within 350 miles of New York City. This gives New York manufacturers and stores a concentrated supply of potential customers which no other region can match, and it makes it easy for a manufacturer to "test" a line.

For example: a manufacturer arranges with a department store buyer to run an ad in a Sunday metropolitan paper. By Wednesday or Thursday of the same week, both the buyer and the manufacturer have conclusive proof of the saleability of a current line. And they have this information even before the season begins over the rest of the country, for New York women dress a few weeks ahead of their sisters in the Middle and Northwest. (For some reason, flowered and straw hats blossom out in New York in February; and "town cottons" are on the streets—sometimes with late snow — in March.)

If a particular dress doesn't sell, a manufacturer may be able to redesign it; or he can just save himself a lot of time and financial trouble by merely discontinuing the item. Most important, he has this information at the start of the season, while he still has time to do something about it.

Also, New York is the retailing

center of the nation. The department stores along Fifth Avenue are glittering showcases for merchandise; buyers from all over the country make seasonal pilgrimages to Manhattan to study new selling techniques, to buy merchandise and to catch up on fashion gossip. The department store buyers are in town frequently, and the garment manufacturers are always glad to show them the new lines. Here again, a smart manufacturer will not continue presenting a dress which buyers do not like. He will drop the dress from his line—which comes to between forty and seventy new designs each season for a moderate-priced volume house — and concentrate on producing the ones buyers *do* like.

Manhattan specializes in trends, ideas, forecasts of all types. Like Paris, New York is a cultural and entertainment center; it inspires designers during their student days, and later acts as a showplace in which chic, fashion-conscious women can show off a designer's creation and thus set the style for the rest of the country.

New York also has a skilled labor supply and a number of bankers familiar with and sympathetic to the economics of the garment industry. It's still possible—with the expenditure of a little capital backed up with a vast amount of ingenuity and experience—to make a "killing" in the garment trade.

An abundance of good clothing is available at moderate prices in this country because the New York clothing manufacturers—like all the other manufacturers in the country—have taken every advantage of mass-production techniques; they use high speed machines and they are particularly concerned with methods that lead to a more efficient plant management.

BUT THE New York garment industry has refined one technique of mass production to the *nth* degree — specialization. A garment house specializes in the *type* of clothes it manufactures (sportswear, coats and suits, misses dresses, lingerie), *size range* (women's, 36-42; misses, 10-20; juniors, 9-15; half-sizes, 14½ up or 24½ up), and *price* (low, up to $10.95; medium, $14.95 to $29.95; and better, above $29.95).

Thus, a dress house identifies itself as "Falchick Dress Company, Misses Dresses, $17.95 to $22.95 retail." And, in almost all instances, this is the extent of the goods the company produces.

Even the high-priced "name" designers specialize here. This is the chief difference between the New York and the Paris couture. In Paris, it's an old custom for members of the couture to make

up a complete outfit in any size for a customer — including dress, suit, coat, lingerie and gloves. This process is both costly and time consuming, and about the only thing it assures the customer is that she won't see another dress like hers—for a couple of weeks, anyway. A New York moderate-priced dress house can finish about twenty dresses in the time it takes a French dressmaker to do one.

NEW YORK FEELS women have gotten over the idea that a dress must be "one of a kind," and they have production figures to prove their theory. One firm can sell as high as a quarter-of-a-million of one particular style, if they happen to catch the popular fancy that season. A good number in a moderate-priced volume house regularly sells around 8000 to 12,000 in one season.

"It's surprising what an imaginative woman can do to a mass-produced dress to make it look as if it were made especially for her," says one fashion editor. "A flower, or a couple of scatter pins, or an interesting scarf—and the dress is hers alone."

A garment manufacturer chimes in: "Besides, what's so bad about seeing another woman in the same dress occasionally? It's a big country, and when you divide all the cities in the United States into even a quarter of a million dresses —it still gives only a couple to each retail market. It's not as if we were sending them all to Iowa City."

Another instance of the intense specialization in the garment industry is the fact that almost all of New York's 2400 dress manufacturers have their showrooms or sample rooms in a small, intensely crowded ten-block area in mid-Manhattan. At one time, this meant that the garments were manufactured here, too; but crowded conditions have forced the actual factories into lower-rent districts in Manhattan, or across the Hudson River into New Jersey.

WHATEVER the price range of the dress house, usually the "brains" of the business are on Seventh Avenue. In a moderate or high-priced firm, this means the owner, the sales manager, the production man and the designer and her staff. In a smaller or low-priced firm (below $10.95 retail), the owner often doubles in brass as sales manager or production man. In a small firm, the owner can save money by substituting a copyist for a designer.

A copyist's duties are interesting and varied. They might include a quick trip through an elegant Fifth Avenue department store, furtively sketching, in exact detail, a new $39 or $59 or even $99 dress. Once the copyist gets back home to

Seventh Avenue, the design can be translated, line for line, using cheaper material and production short cuts, to sell around $10.95.

Or the copyist might buy the expensive dress outright, and bring it home and "skin" it. There is a bit of creative work attached to this. Long sleeves in the expensive original become short ones in the copy, a full-length zipper becomes a waist-length zipper, bows and buttons get fewer and smaller. (Cheaper fabrics and less detailed workmanship are the real money-savers here.)

In this country, this is a perfectly legitimate practice. In France, there is a law protecting design, but American manufacturers can get around this by either buying a French original outright, or renting a "muslin"—a design made up in muslin — from the French designer, and copying it line for line.

As far as volume goes, the New York market has no equal. About three-fourths of all the coats, suits, dresses, lingerie, hats and handbags worn by the women in this country come from New York. It is still second to Paris when it comes to prestige, but there is an ever-growing segment of the New York garment industry which feels that eventually New York will take over even the prestige of Paris.

"The class of women who were concerned only with style and clothes is rapidly disappearing," one moderate-priced manufacturer points out. "The woman of today has other interests in her life—her family, her job, her hobbies. Besides, the woman who furnished the business for the Paris market belonged to the very rich, and all over the world that class is almost gone."

Another New York manufacturer, who specializes in low-priced dresses, puts it this way: "Besides, how many of Dior's creations sold a quarter-of-a-million last year? The volume's on Seventh Avenue. Someday the prestige will be, too." ■

Three Cheers for the Coffee Klatsch

HERE'S A GOOD WORD for the office worker's national institution: the coffee break. A national survey was made of 1160 companies which permit a 10- or 15-minute morning recess for coffee and chatter. It reported:

- less worker fatigue in 82 percent of the companies
- better employee morale in 75 percent
- increased productivity in 62 percent
- fewer accidents in 32 percent
- less labor turnover in 21 percent

One Company, Mutual Life Insurance of New York, figures that the coffee break saves $130,000 a year in over-all labor costs when the coffee is delivered to the workers' desks.—*Changing Times*

HOT WEATHER HAZARDS

— and how to combat them successfully

ACCORDING TO the Yale and Towne Manufacturing Company, the summer months find the home owner especially depressed because of the incursion of insects of various shapes, sizes and degree of pestilence. And to top it all off, the noise from slamming screen doors jars the homesteader's already frayed nerves.

There's a way out of this summer situation. Yale and Towne would like to call attention to the fact that the government has an entire bureau set up to give detailed information on specific chemicals to use in the battle against flies and mosquitoes—The Bureau of Entomology and Plant Quarantine of the Department of Agriculture. That solves one hot weather problem.

Now for the second. Yale and Towne point out that most screen doors slam with a resounding bang because of the old-fashioned, high-tension springs which hold the doors shut. Modern technology in general and Yale and Towne in particular have come up with an answer to these slams. The company just happens to manufacture pneumatic, airliner-type door closers which insure a closure with no more than a gentle c-l-i-c-k. ■

How 'Fair' is FAIR TRADE?

by John Schwegmann, Jr.

Mr. Schwegmann, an independent supermarket operator, has fought Fair Trade legislation right up to the U. S. Supreme Court. His arguments are published in CHALLENGE MAGAZINE because they represent a legitimate viewpoint on an important aspect of the American economy. In order to lend balance to this presentation, we have asked Dr. John W. Darvagel, Executive Secretary of the National Association of Retail Druggists, to provide a running commentary in rebuttal.—ED.

"FAIR TRADE" is a misleading term because it really is neither fair nor the right way to trade. I think that it is high time to knock the props out from under the unsound arguments given by advocates of Fair Trade.

Businessmen who allege they cannot operate profitably without high prices should take a fresh look at the problem—as individuals—instead of permitting someone else to do their thinking for them. It is a mistake to believe that small volume and high profits are the way to make money. In this respect, too many businessmen are percentage wise and dollar foolish.

Actually, low prices create rapid turnover, and turnover makes for profit. High fair-trade priced items loaf and lounge on the shelves of enterprise and refuse to work, leaving the merchant with only a dream of the high profits they represent. On the other hand, a low competitive price results in more customers, speeding up turnover. The faster turnover then permits further reduction in price, which attracts more customers. This is the money-making cycle; but it will spin only when a businessman first has the ingenuity and courage to price his merchandise low.

Fixed fair-trade prices create a European-type restricted market; they prevent the greatest mass consumption through low, competitive

prices. The American stockpile of abundance is then disrupted, because mass production and progressively lower unit costs are dependent upon the ability of the masses to buy in great volume. Increased production, on the other hand, swells employment, and higher payrolls in turn stimulate greater consumption. This is the process which has made it possible for Americans to secure necessities and enjoy luxuries that only royalty can afford in those countries where retail price-fixing is many centuries old.

FAIR TRADE kills competition and is therefore an enemy of the American economy. It establishes the *same price everywhere* on national brands, so that the independent merchant cannot use his best artillery—low overhead and low prices. While the large retail operators cut prices on their own private brands, the independent operator, who does not have private brands, is frozen with the high-priced Fair Trade brands. His limited capital prevents his matching the facilities of the big operator, such as elaborate buildings, extended credit and huge promotion appropriations.

Statistics from the non-Fair Trade states of Texas, Missouri, Vermont and the District of Columbia prove that small independents flourish in the heat of free competition at the retail level. In the atmosphere of free enterprise there are more independent businesses per capita doing a greater volume of business per store than the average for the price-fixing states. They have proved the theory that no business problem is so great that enough low-profit sales can't solve it.

Low-profit sales, however, are discouraged under Fair Trade regulations—as well as competition. The manufacturers protect themselves against price competition by means of contracts with their wholesalers and retailers. They all peg their prices according to the leader in the field and then coast along. Their greatest competition is to see who can make the most sales — of products whose prices remain uniformly the same. Obviously, competition of this type never operates to reduce the consumer's cost. The prime motivation

THE FAIR TRADE LAWS prevent destructive, unfair competition. It is called "free" by the price-jugglers, but it is actually "unbridled." It is the kind of "do as you please and the public be damned" competition this country rejected when it first put the anti-trust laws on the books. Under Fair Trade, the small retailer with limited capital can compete, in terms of personalized service, with the giants. Without Fair Trade, the little fellow is on his way to becoming a dead pigeon.

—John W. Darvagel

is not to increase productivity and thus lower the unit-production cost. Fair Trade also encourages and permits unofficial understandings concerning prices. It is a very rare occasion when any group meets for the purpose of reducing prices; price-fixers are interested in determining how much "fixing" the traffic will permit.

The principal proof of this situation is the fact that fair-traded merchandise was affected so little by inflation. Those minimum prices were so high prior to inflation that there was plenty of cushion to absorb the increase in costs of raw materials, labor and equipment. The prices are set so high that they are sufficient to cover everything, including inflation to a great degree. This artificial padding is necessary to insure the principle of a same price everywhere. But, the consumer pays heavily for it!

THE CONTENTION of manufacturers that low retail prices damage their trademark is most illogical. The damage results, allegedly, from the fact that high-profit retailers will boycott the manufacturer's product if competitors sell it at low prices.

Manufacturers who bow to this threat have no confidence in the consumer demand for their product. The power of consumer demand will overcome any boycott imposed by little men with limited vision. A manufacturer's independence is to spend time, effort and money to create genuine consumer demand. He should forget the crutch of Fair Trade which makes him dependent on the whims and cries of the retail-fixing lobby with its limited market concepts.

Another unfounded claim is that brand items may be sold below cost as consumer bait. The American housewife is not as gullible as all that. She is not lured into a store by below-cost merchandise or "bankruptcy" bargains. If she is lured into a store by the low prices, she is very likely to walk out with the below-cost lure and nothing else. Besides, Louisiana and many other states have on their statute books a law which forbids below-cost selling.

Significantly, the rights of property ownership are also involved here. As a retailer, I take title

THERE ARE very few retailers in America who oppose Fair Trade. Those who do, juggle their store-wide pricing. They drive down prices on a few popular brands to give the impression that they're the consumer's best friend. At the same time, they nimbly drive prices up on a lot of other goods which are unknown quantities, price-wise, like meats, fresh vegetables and super-special private brands. Bargain-hungry customers are stampeded into reckless buying. Price-juggling always pays. If it didn't, it wouldn't be used.—*JWD*

to my merchandise when I have paid for it. But, in fact, it is the manufacturer or seller who, under Fair Trade, can dictate the terms under which I can dispose of my property. They can threaten me with fines and imprisonment if I do not obey their demands for fixed retail prices — prices which may be fixed without any regard to quality or cost of production. The price-fixers are not concerned with the efficiency of my operations. They simply prevent me from passing on the savings I can effect to the consumers.

Recently, Congress went so far to please the price-fixing lobby that it actually vacated its responsibility to control inter-state commerce. It enacted the McGuire Bill which, to all intents and purposes, makes it compulsory for merchants to observe Fair Trade prices whether or not they have signed any contracts with suppliers.

RESEARCH BY A. C. Neilsen Co., the world's largest independent market research agency, has revealed that consumers in the non-Fair Trade areas do not pay less, over-all, for the popular trade-marked products. Indeed, the evidence shows they pay a little more, on the average, for top brands than consumers pay for the very same brands under Fair Trade. Yet, retailers in the non-Fair Trade areas are free to give these brands away if they choose. The figures show that they do not choose to charge lower prices, over-all.—*JWD*

The provisions and philosophy of the Sherman Anti-Trust Act prohibit horizontal price-fixing from the manufacturers down. Yet, the non-signer clause of recent Fair Trade legislation compels horizontal price-fixing by forcing the same contract price on all retailers in a given state.

EVERY SUCCESSFUL business should serve a need in its community. The community must not be forced to subsidize any operation by law which cannot exist in a competitive market. Every businessman is obligated to serve his customers honestly and economically for a reasonable profit. Fair Trade encourages hypocrisy, greed and selfishness to such a degree that the humane aspects of business are destroyed.

Unreasonably high prices on luxuries are unwise; high prices on the necessities of life and sickness are most regrettable. The price-fixers have done such a good job in the field of drugs and medicine that only the well-to-do and charity patients can secure these health necessities in sufficient quantity. Those families in the average income group cannot afford, in many instances, the high Fair Trade prices on drugs and medicine.

Our supermarket's drug department, in order to offset this trend,

A GLANCE AT any retailer's shelves will spike the charge that Fair Trade prices are not competitive. There are scores of competing products with a wide range of prices. You can get aspirin from 7¢ per 100 to 62¢ per 100. You can get dentrifrices from 5.8¢ an ounce to 26.2¢ an ounce. You can get electric toasters from $1.98 to $24.50. There is abundant and keen price competition for those who wish to see it. There is wide variation, too, in the size of the retail profit-margins under Fair Trade. Slow-moving products generally have the highest margins because they cost the retailer more in terms of handling and storage. The popular brands which Fair Trade opponents want to use as customer "bait," however, have a very rapid turnover. Consequently, they have very low margins.—*JWD*

has been doing something unheard of in the drug field. In our drug store, we use the same principles that are used in our supermarket. Our markup on medicine is based on the cost of the ingredients, plus a fair profit. We use a graduated scale, according to the cost of the ingredients. The higher the cost, the lower the percentage of markup. Great savings are possible by buying drugs in large quantities. As a result of our lower prices, made possible by reasonable profits and economies in operation, we face legal action by fifteen manufacturers, who have sued us for the crime of low prices.

Fair Trade can cost the American consumer billions of dollars each year while insuring the retailer up to 50 percent profit on price-fixed items. The whole rigged system of Fair Trade threatens our economic processes by creating an unnecessarily high price situation.

It is time that competition and free enterprise were rid of the ball-and-chain of so-called "fair trade." ■

FAIR TRADE is essential for the preservation of the independent, small retailer in an age of bigness. It merely gives him a chance to compete against superior dollar power. The price wars of 1951, after the Supreme Court weakened Fair Trade on a technicality, showed what unfair competition could do to small business. The U. S. Senate Small Business Committee reported in 1952 that "20,000 of the approximately 105,000 small retailers in the New York area would have been forced into bankruptcy if the price war had continued for six months . . ."

We have a bigger question here than the price of a product. It is a social question as well as an economic one. Is the little fellow going to have freedom of opportunity? Is he going to have a chance to start his own business and be his own boss or is he going to be crushed out of existence by the big guys with the big dollars? Do we want to preserve small business or do we prefer a handful of monopolies and 160 million proletarian workers? It seems like a mighty high price to pay for a few phony bargains.—*JWD*

ECONOMICS IN ACTION

The weather hasn't helped the farmer, either...A prolonged drought in the Southwest, especially in Texas and Oklahoma, has caused the federal government to step in with emergency aid and long-term loans.

Railroads have been requested to cut freight rates on feed going to the affected region and on cattle being shipped to better pastures.

Freak storms, like the 167 tornadoes that hit half a dozen states this June, have also caused economic havoc. With their cash assets lower than they have been in twenty years, insurance companies are hit hard by the $200 million they will have to pay out to cover disaster damage.

The nation's schools, which have been as overcrowded as the Agriculture Department's storage bins for several years now, promise to be a little less crammed this fall...New construction has taken some of the pressure off overpacked classrooms...High schools, however, will soon be jammed to capacity with the millions of children born during the early Forties:

This year 2 million children will enter high school.

Next year the number will rise to 2½ million.

Although they have had plenty of advance warning, few communities are prepared to cope with this onslaught...

The nation's toymakers, however, have not been caught short at all. They have come leaping into the market with new toys and old--all of them in quantities undreamed of a dozen years ago.

While the youngsters are at school, nearly 20 million of their mothers, aunts and sisters are at work...

Women now make up one-third of the nation's labor force. Their pay, however, still doesn't equal men's:

For women, the median wage is $1900.

For men, the median wage is $3300.

ECONOMICS IN ACTION

The number of women who must sit home and sew is continually shrinking. This year Americans spent $21 billion on clothes--but almost all were machine-made.

Three-quarters of all American families spend $385 or less on clothes.

The other one quarter of all American families spend $1000 or more on clothes--accounting for half of the purchases made.

The Malenkov government, in still another move to strengthen its popularity at home, has cut in half the size of the "voluntary" state loan that Soviet citizens are expected to make. This amounts to a two-week pay bonus for most Russians...UN investigators have confirmed the fact that the Russians use slave labor; they find "no evidence" to prove Soviet charges that forced labor exists in the United States...Another UN report is hopeful that Europe can expand her hydro-electric power production by more than 20%. Releasing that much more electrical energy into Europe's still-sagging economy could sparkplug activity in more ways than one.

The Department of Better Mousetraps: a "cow heaven" barn, complete with bedroom, cafeteria and automatic milking parlor...wallpaper in golfing patterns, especially designed for executive offices...a device that automatically raises the top of a convertible when it starts to rain...vending machines that "talk back"...an assemble-it-yourself single-seater airplane...eight-sided mothballs that can be strung like beads...a mechanical armchair that can give the sitter a gentle, moderate or vigorous massage...a combination meat mincer, citrus fruit extractor, potato peeler, vegetable grater, coffee grinder and fruit presser.